

June 15, 2011

Ms. Judith Enck
Regional Administrator
US EPA, Region II
290 Broadway
New York, New York 10007

**Subject: Drinking Water State Revolving Fund (DWSRF)
Program Capitalization Grant Application for FFY 2010**

Dear Ms. Enck:

The public participation process corresponding to the DWSRF Intended Use Plan 2010 (IUP) for the use of FY 2010 funds ended May 29, 2011. During the process only comments from the PR Aqueduct and Sewer Authority (PRASA) were received. PRASA's comments mainly ratified their position regarding the projects included in the List. Comments were taken into consideration and included in the Final DWSRF IUP 2010 that we are submitting to you herein. For your reference, we are enclosing a copy of the Responsiveness Summary to the comments received.

Please note that the 2010 Capitalization Grant Application was submitted to you on letter dated April 23, 2011, in compliance with the CEPD request. Also note that the following documents related to the Application were previously submitted:

- Public Hearing Announcement – May 3, 2011
- Budget Detail – draft May 3, 2011; Final Budget Detail – May 13, 2011
- Acknowledgement Receipt of the Single Point of Contact (SPOC) request to the Puerto Rico Planning Board – May 13, 2011
- Attorney General Opinion regarding the Department of Health authority to administer the DWSRF was forwarded to you directly

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from the Attorney's General Office. Notwithstanding, a copy was sent to your EPA-CEPD office on May 19, 2011.

- Single Point of Contact (SPOC) - June 3, 2011

The Work Plan corresponding to the use of the 2010-11 funds will be submitted under separate cover.

EPA's comments to the Capitalization Grant Application and related documents have been considered in the documents forwarded.

Should you or any member of your staff have any questions, please feel free to contact Eng. Javier O. Torres, Director of the Public Water Supply Supervision Division, or Mrs. Eva Hernández, DWSRF Coordinator, at telephones (787) 777-0150, (787) 777-0151, (787) 777-0152.

We look forward to your usual cooperation and assistance and to the approval of the FY 2010 grant.

Cordially,



LORENZO GONZALEZ FELICIANO, MD
SECRETARY OF HEALTH

Enclosures

EH/je:Subm- Final 2010 TIF and related docs

Cc: Mr. José Valenzuela, Advisor, La Fortaleza; Esq. Guillermo Somoza Colombiani, Attorney General; Mr. Steve Vida, US EPA-Region II; Eng. Carl-Axel Soderberg, EPA Caribbean; Eng. Jaime Géliga, EPA Caribbean; Eng. Alex Rivera, EPA Caribbean; Eng. José E. Basora, PRIFA; Mr. José Ortiz, PRASA; CPA Roxana Santaella, PRASA; Eng. Alberto Lázaro, PRASA; Eng. Mauricio Olaya, PRASA; Eng. José Javier Rivera, PRASA; Mr. Juan Carlos Batlle, GDB; Mr. Jesús García, GDB; Mr. Carlos Collazo, GDB

COMMONWEALTH OF PUERTO RICO
PUERTO RICO DEPARTMENT OF HEALTH

INTENDED USE PLAN 2010

FINAL
May 2011

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1. INTRODUCTION

The Legislature of Puerto Rico enacted Act No. 32 of July 1997 and amended Act No. 5 through of Act No. 193 of December 26, 1997 which in conjunction with the passage of the 1996 Amendments to the Safe Drinking Water Act (SDWA) by Congress provides the Commonwealth with the authority to establish a Drinking Water Treatment Revolving Loan Fund (DWSRF) Program. In September 15, 1998 the DWSRF was initially capitalized with the funds from 1997 and 1998. To continue capitalizing the DWSRF the Commonwealth is applying for a federal Capitalization Grant of approximately **\$13,573,000** from the Federal Fiscal Year (FFY) **2010** allotment. Monies appropriated by the Commonwealth will be used to provide federally mandated state matching funds of at least 20% and will also provide any required dollar to dollar match for any set-aside that may be established within the DWSRF program. The Intended Use Plan (IUP) is the planning document for explaining how all DWSRF funds, including the federal fiscal year (FFY) **2010** allotment, will be used. This Program will help public water systems finance needed drinking water projects. The DWSRF is administered by the Puerto Rico Department of Health (DOH) and will be assisted in said administration by the Puerto Rico Environmental Quality Board (PREQB) and the Puerto Rico Infrastructure Financing Authority (PRIFA).

The DOH, acting on behalf of the Commonwealth of Puerto Rico ("Commonwealth"), hereby submits to the U.S. Environmental Protection Agency ("EPA"), as part of its annual application for a Capitalization Grant under Section 1452 of the Safe Drinking Water Act, as amended (the "Act"), an Intended Use Plan ("IUP") which meets the requirements of Section 1452 of the Act.

The Fiscal Year (FY) 2010 Appropriation Law (P.L. 111-88) included additional requirements affecting the DWSRF Program, related to Additional Subsidization, Green Reserve, Davis-Bacon, and Reporting. Following these new requirements are described.

New FY2010 Requirements:

1.1 Additional Subsidization

The 2010 SRF Procedures, requires: “the States SRF Funds to use a portion of the appropriation assigned to provide additional subsidization to projects eligible, while relying on the purposes of the Funds in their underlying acts. In compliance with the law the DWSRF program has since its inception provided additional subsidization as authorized by law but circumscribed to those communities needed to meet the commonwealth’s definition of “disadvantaged,” and limited it to up to or not to exceed 30 percent of the capitalization grant. The FY 2010 Appropriation is more demanding and expansive. It requires States to provide not less than 30 percent in additional subsidies, to recipients in the form of forgiveness of principal, negative interest loans , or grants(or any combination of these) to any “eligible recipients” of DW SRF assistance. Puerto Rico will provide not less than 30 percent or \$4,071,900 of the FY 2010 capitalization grant to provide additional subsidization in the form of grant, as established in the EPA Memorandum “Procedures for Implementing Certain Provisions of the Fiscal Year 2010 Appropriation Affecting the Clean Water and Safe Drinking Water State Revolving Fund Programs”: April 21, 2010. The recipient of the grant must identify projects within at least one of the following categories in order to receive the additional subsidies:

a) projects that will eliminate or consolidate small system,

b) projects that support sustainable systems and help build or maintain the technical, financial and managerial capacity of the recipient,

c) systems related to communities or serving directly a community that could not otherwise afford the DWSRF loan including Disadvantaged communities as defined by the Commonwealth.

If the recipient has projects that could be identified under one or more of the above mentioned categories, for each additional remaining category the percent will increase by 10. The subsidy will be awarded to eligible recipients as follows:

- to project(s) by priority order and the qualifying category and until the subsidized amount is completely used.

In the case that there is only one recipient the subsidized amount could be awarded in any of the following manners and until the subsidized amount is completely used.

- To project(s) by priority order and the qualifying category
- directly to the project(s) identified within the qualifying categories
- the project(s) first received and ready to go
- The most expensive project (s)

In fact Puerto Rico will be awarding \$ 5,429,200 or 40% of its Capitalization Grant as additional subsidies, which will be in the form of grants and they will be subject to compliance with the regulations at 40CFR Part 31.

1.2 Green Project Reserve (GPR)

The provision in the Appropriation Bill states that: *“Provided, that for Fiscal Year 2010, to the extent that sufficient eligible project applications,*

not less than 20 percent of the funds made available under this title shall be used by the State for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.”

Puerto Rico will use not less than 20 percent or \$2,714,600 of the FY 2010 funds provided by this grant for eligible projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities, as established in the EPA Memorandum “Procedures for Implementing Certain Provisions of the Fiscal Year 2010 Appropriation Affecting the Clean Water and Safe Drinking Water State Revolving Fund Programs”: April 21, 2010. In Fact Puerto Rico will be using \$4,264,138 or 31.41% of its Capitalization Grant to cover green portion or infrastructure of drinking water projects.

If there is not sufficient qualified projects or components already in the IUP that total 20% of the FY 2010 funds available, DOH agrees to conduct additional solicitation, in order to satisfy the 20% requirement. Amendment to the project list will be undertaken to include any such qualified projects identified, and thus provide not less than 20% of such FY 2010 funds available to such projects on its amended project list. In accordance with the FY 2010 Procedures, DOH will proceed, if necessary, to submit a waiver request to EPA if there are not sufficient qualified projects or components on the amended project list after such additional solicitation is undertaken. Notwithstanding GPR projects are identified as GPR, and are ranked along with all eligible projects on the priority list,

these will be selected for funding until the 20% requirement is met but in a separate process for the GPR projects only which was established by DOH taking into consideration the green technical nature of the project .

1.3 Davis-Bacon Requirements

The provision in the Appropriation Bill states that: "For fiscal year 2010 the requirements of section 1450(e) of the Safe Drinking Water Act.. shall apply to any construction project carried out in whole or in part with assistance made available by a drinking water treatment revolving loan fund as authorized by section 1452 of that Act..." In order to comply with this provision, the Commonwealth will include in all assistance agreements, whether in the form of a loan, bond purchase, grant, or any other vehicle to provide financing for a project, executed on or after October 30, 2009, and prior to October 1, 2010, for any construction under the DWSRF, a provision requiring the application of Davis-Bacon Act requirements for the entirety of the construction activities financed by the assistance agreement through completion of construction, no matter when construction commences, as established in the EPA Memorandum "Procedures for Implementing Certain Provisions of the Fiscal Year 2010 Appropriation Affecting the Clean Water and Safe Drinking Water State Revolving Fund Programs": April 21, 2010.

1.4 Reporting Requirements

The FY 2010 Appropriation Bill placed a reporting requirement directing EPA and the States not only to track how additional subsidies are used, but also "by what types of communities." Puerto Rico will be

reporting quarterly in the DWSRF Project Benefits Reporting (PBR) system on the use of all SRF funds. Quarterly reporting shall include use of the funds for the GPR and Additional Subsidization, as well as information on the environmental benefits of SRF assistance agreements. This information will be included in the Annual Report.

This Intended Use Plan (IUP) includes:

- an anticipated financing schedule for this IUP period;
- specifics on how DOH proposes to use available DWSRF funds;
- a description of the goals (short and long term) of the DWSRF program;
- Readiness Project Priority List of eligible projects to receive DWSRF financing;
- cost estimates for listed projects;
- an estimate of funds anticipated to be available for financial assistance;
- criteria for selecting projects to receive financial assistance;
- criteria for determining which communities qualify for hardship loan;
- criteria for determining equivalency projects;
- the project scoring, ranking and selection system; and
- a response to comments on the proposed ranking system.

2. SHORT- AND LONG-TERM GOALS

The SDWA Amendments of 1996 (Public Law 104-182) authorize the DWSRF to assist public water systems finance the cost of infrastructure needed to achieve or maintain compliance with SDWA requirements and to protect public health. The SDWA Amendments also establish strong new emphasis on preventing contamination problems through source water protection and enhanced water system management.

Central to this emphasis is the development of Commonwealth prevention programs, including source water protection, capacity development and operator certification.

The DWSRF will help ensure that the Commonwealth's drinking water supplies remain safe and affordable and that drinking water systems that receive funding will be properly operated and maintained. The objectives of the DWSRF program include achieving compliance with the SDWA, addressing public health priorities, assisting systems to ensure affordable water and maintaining the long-term viability of the Fund.

2.1 Short-Term Goals

- Establish and maintain a continuous technical assistance support process available to drinking water systems for availing compliance.
- Identify and determine feasible and affordable general compliance action plans available for systems implementation.
- Coordinate a mechanism or process for consolidating and/or eliminating existing non-viable small public drinking water systems.
- Use funds under the set-asides to establish a mechanism to assist and evaluate systems in order to improve their compliance and assure public health protection.
- Establish a financial assistance mechanism to provide small systems that are in non-compliance, due to technical, financial and managerial reasons, with the necessary tools to foster compliance.
- Evaluate alternative solutions by assessing Best Management Practices (BMP) and Best Available Technology (BAT) to avail systems compliance.

2.2 Long-Term Goals

- Focus on providing assistance to systems that are in the process of

attaining and maintaining capacity.

- Promote and maintain an infrastructure construction program for the drinking water facilities of the Commonwealth.
- Evaluate the DWSRF operating structure to ensure the program is administered in a manner that assures its revolving nature in perpetuity.
- Assist PRASA in their quest to improve drinking water quality and dependability in the Commonwealth.

3. FINANCIAL STATUS/TOTAL DWSRF MONIES

Initial capitalization for the Commonwealth DWSRF program was provided from the 1997 and 1998 federal Capitalization Grants and Commonwealth matching dollars. The minimum state match requirement is 20% of each federal award. The state match requirement for the State Program Management Set-Aside will be met with-in-kind services provided by PWSS staff and a dollar-to-dollar appropriation from the Commonwealth, if necessary. As of **January 31, 2011** there is an estimated amount of **\$7,643,928 from loan repayments**, including accrued interest, is available in the fund for providing assistance in addition to the annual capitalization grant. The proposed sources and uses of the DWSRF for this IUP are as follows:

SOURCE	2010	TOTAL
Capitalization Grant	\$13,573,000	\$13,573,000
State Match Requirement	2,714,600	2,714,600
Repayments Available as of January 31, 2011	7,643,928	7,643,928
Total Sources	\$23,931,528	\$23,931,528
Uses Set-Asides (ref. to Sec. 4, Set-Asides, for detail description of allocations)		
Administration	\$542,920	\$542,920
Technical Assistance (%)	\$271,460	\$271,460
Total Set-Asides	\$814,380	\$814,380
Amount Available for Loans Including Repayments	\$23,117,148	\$23,117,148

A state must annually use at least 15% of all funds credited to the fund account to provide loan assistance to systems serving fewer than 10,000 persons (Section

1452(a)(2)), to the extent that there is sufficient number of eligible projects to fund. It is the Commonwealth's strategy to award loans to systems that eliminate or consolidate small systems serving a population of 10,000 or less. The following table presents a summary of the loan assistance provided by the Commonwealth to small systems since the inception of the program.

ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR

YEAR	PROJECT NAME	< 10,000	> 10,000	POPULATION	%	CUM %
97-98	Naguabo-Río Blanco		\$ 12,393,319	141,308		
	Mayaguez-Ponce de León		\$ 4,827,235	150,000		
	Guayama-Carite	\$ 2,880,963		5,575		
	Yabucoa-Guayabota	\$ 2,383,802		1,096		
	Guayama-Culebras	\$ 584,720		1,193		
	Utua-Urbana		\$ 1,419,775	25,068		
	\$24,489,814	\$ 5,849,485	\$ 18,640,329		23.89%	23.89%
1999	Naguabo-Río Blanco		\$ 4,322,131	141,308		
	Río Grande-El Yunque		\$ 7,894,907	48,000		
	\$12,217,038	\$ -	\$ 12,217,038		0.00%	15.94%
2000	Mayaguez-Ponce de León		\$ 4,851,945	150,000		
	Guayama-Carite	\$ 195,857		5,575		
	Yabucoa-Guayabota	\$ 914,198		1,096		
	Guayama-Culebras	\$ 215,280		1,193		
	Utua-Urbana		\$ 1,920,225	25,068		
	Río Grande-El Yunque		\$ 4,599,587	48,000		
	\$12,697,092	\$ 1,325,335	\$ 11,371,757		10.44%	14.52%
Transfer	Tanque Sergio Cuevas		\$ 11,055,165	771,169		
	\$11,055,165	\$ -	\$ 11,055,165		0.00%	11.87%
2001	Río Grande-El Yunque		\$ 11,900,870	48,000		
	Mayaguez-Ponce de León		\$ 848,662	150,000		
	\$12,749,532	\$ -	\$ 12,749,532		0.00%	9.80%
2002	Añasco-Nueva		\$ 12,245,082	28,348		
	\$12,245,082	\$ -	\$ 12,245,082		0.00%	8.40%
2003	Las Marías		\$ 12,171,438	20,000		
	\$12,171,438	\$ -	\$ 12,171,438		0.00%	7.35%
2004	Naguabo-Cubuy	\$ 6,247,832		3,541		
	Hatillo-Camuy		\$ 2,873,000	22,360		
	Naranjito-Anones	\$ 1,551,238		2,172		
	Morovis-Sana Muerto	\$ 1,954,000		3,285		
	\$12,626,070	\$ 9,753,070	\$ 2,873,000		77.25%	15.36%
2005	Yauco Urbano Nueva		\$ 13,262,520	16,000		
	\$13,262,520	\$ -	\$ 13,262,520		0.00%	13.71%
2006	Añasco-Nueva		\$ 9,875,160	28,348		
	Caguas Norte Filtration Plant		\$ 4,230,178	140,500		
	\$9,875,160	\$ -	\$ 9,875,160		0.00%	12.69%
2007	Río Grande-El Yunque		\$ 11,628,071	48,000		
	\$11,628,071	\$ -	\$ 11,628,071		0.00%	11.67%

ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR-Continues

YEAR	PROJECT NAME	< 10,000	> 10,000	POPULATION	%	CUM %
2008	Yauco Urbano Nueva		\$ 5,254,345	48,000		
	Naguabo-Rio Blanco & Maizales (1A, 1B & II)	\$ 1,810,903		4,036		
	Naranjito - PF Anones	\$ 560,633		3,120		
	Hatillo - PF Camuy-Hatillo		\$ 1,819,316	39,200	25.11%	12.49%
	\$9,445,197	\$ 2,371,536	\$ 7,073,861			
2008	Hatillo - PF Camuy-Hatillo		\$ 2,276,000	39,200		
	Las Marias-Phase I - Overrun	\$ 1,006,036		7,871	30.71%	12.87%
	\$3,276,036	\$ 1,006,036	\$ 2,276,000			
2009	Caguas Norte Filtration Plant*		\$ 769,822	140,500		
	Guayama Urbano WTP		3,453,190	14,752		
	Arecibo WTP	1,888,800		3,700		
	Camuy		3,400,000	80,189		
	San Germán		2,780,000	19,500		
	Lares -Phase III	1,412,330		693		
	Lares -Phase II	1,607,071		565		
	Trujillo Alto-Sergio Cuevas WTP		1,410,202	771,169		
	Ciales -Las Delicias WTP	1,537,920		935		
	Caguas Sur Filtration Plant		1,020,000	34,000		
	\$19,289,335	\$ 6,446,221	\$17,253,392		33.42%	16.11%
2010	Morovis Sur WTP		4,257,757	14,570		
	Morovis Urbano WTP	2,000,000		9,714		
	Cedro Arriba WTP-Naranjito	2,222,646		9,873		
	Añasco Water Intake		4,636,745	88,144		
	Hatillo Raw Water Intake		5,000,000	39,200		
	Rochas WTP-Moca	3,000,000		2,357		
	La Máquina WTP- Sabana Grande	2,000,000		3,207		
	Hatillo-Camuy - Phase II Overrun +		3,984,502	39,200		
	Lajas-San Germán, Trans Lines Overrun+		4,008,664	55,050		
	\$23,117,148	\$9,222,545	\$13,894,502		39.90%	17.97%

* This project is funded in part with remaining funds from the FY 2006 allotment that not used under the loan to the Añasco project. The grant and the loan were amended in order to assign the amount of \$4,230,178 under the FY 2009 allotment/list

Note: ARRA 2009 funds are not included.

♦ Should the bids for the above projects result lower than the Estimated Assistance indicated, this project will be financed to the extent of the funds available. This project will also be financed if additional federal funds are available. Thus, this project is not considered in the calculation of the 15% credit for assistance to small systems.

There are small systems that will not have the capacity to enter into a loan, thus, the use of the 15% will be limited. Notwithstanding, it is the strategy of the Commonwealth to fund those projects that eliminate or consolidate small systems that do not have the capacity to enter into a loan. Meanwhile, DOH is taking steps to capacitate small systems in order to enable them to have technical, financial and managerial capacity to avail their ability to finance the construction of needed infrastructure that will warrant and provide compliance.

- installation or upgrading of storage facilities, including finished water reservoirs to prevent microbiological contamination or to provide adequate delivery pressure;
- installation or replacement of transmission and distribution mains to prevent contamination caused by leaks or breaks;
- projects that promote the consolidation of water supply services, particularly in circumstances where generally the water supply is contaminated or the system is unable to maintain adequate compliance for financial or managerial reasons;
- the purchase of a portion of another system's capacity, if the purchase is part of a consolidation plan to bring the system(s) into compliance
- refinancing of any of the above listed project types which are publicly owned and were previously financed subsequent to July 1, 1993; and
- any eligible system or part of a system in conformance with the SDWA.

During this year, DOH's intention is to **establish the 2% set-aside for technical assistance as well as the 4% corresponding to the administration of the program. No other set-asides will be established, thus, the remaining funds will be allocated** for construction of projects.

The anticipated outputs and outcomes of the projects included in this Intended Use Plan are:

Outputs	Outcomes
One (1) loan agreement	Improve compliance for systems receiving DWSRF assistance
Increase the cumulative disbursement rate to 80%	Increase the speed at which projects are proceeding towards completion
Increase cumulative projects completion to 65%	Improve compliance with SDWA by increasing number of projects initiating operations

4. TYPES OF PROJECTS TO BE FUNDED

Projects eligible for DWSRF financing includes investments to upgrade or replace infrastructure, address exceeding federal or state health standards, prevent future violations of standards, and provide the public with safe drinking water.

Examples of such projects are:

- **Green infrastructure projects to address water and energy efficiency improvements or other environmentally innovative activities. The Commonwealth requested applications for green projects and to this effect has determined that there are sufficient eligible project applications. Thus, the 20 percent of the funds appropriated herein for the Revolving Funds shall be for projects to address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. These projects will be identified as such in the Project Priority List. The 20% requirement for the Commonwealth amounts to a total of \$2,714,600. The Commonwealth has met this requirement of the 2010 applicable regulations and has projects identified as “green”, thus satisfying the 20% of the reserve by providing \$4,264,138 or 31.41% of Capitalization Grant.**
- rehabilitation or development of new drinking water sources to replace contaminated supplies;
- installation or upgrading of facilities to improve the quality of drinking water in order to comply with primary or secondary standards and/or treatment/performance criteria;

Puerto Rico Department of Health
Drinking Water State Revolving Fund Program
Federal Fiscal Year 2010

2010 PROJECT PRIORITY LIST
MAY 2011

Name Public Water System	PWS I.D.	Priority Ranking	Priority Points	Project Description	Population	Read. to go date	Estimated Assistance (\$)	GPR Amount Awarded	Subsidization Amount (\$)
Morovis Sur WTP	2762 (b)	1	135	Improvements to WTP	14,570	Sept-11	4,257,757	298,043	4,257,757
Morovis Urbano WTP	2762 (a)	2	120	Improvements of WTP	9,714	Sept-11	*2,000,000	140,000	1,171,443
Cedro Arriba WTP - Naranjito	5517 (a)	3	115	Improvements to WTP	9,873	Sept-11	2,222,646	155,585	
Añasco Water Intake	3283 (b)	4	60.08	Improvements to Río Añasco water intake	88,144	Sept-11	4,636,745	320,510	
Hatillo Raw Water Intake	2662 (d)	5	60.039	Improvements to Water Filter Plant Raw Water intake	39,200	Sept-11	5,000,000	350,000	
Rochas WTP - Moca	3433 (a)	6	60.023	Improvements to distribution system and elimination of Rocha WTP	2,357	Sept-11	3,000,000	1,800,000	
La Máquina WTP - Sabana Grande	3593 (a)	7	60.003	Improvements to distribution system and elimination of La Máquina WTP	3,207	Sept-11	2,000,000	1,200,000	
This is the Current Funding Line. Should the bids for the above projects result lower than the Estimated Assistance indicated, this funding line will be moved to finance the projects below, to the extent of the funds available. This funding line will also be moved if additional federal funds are available.							\$23,117,148	\$4,264,138	\$5,429,200
Hatillo-Camuy - Phase II (Overrun)	2662 (c)	1**	175**	Improvement to the distribution system Camuy - Hatillo - Quebradillas	39,200	Sept-11	\$3,894,502	1,947,251	
Lajas - San Germán - Water Transmission Lines (Overrun)	3343 (a)	4**	75**	San Germán - Water Transmission Syst.	55,050	Sept-11	4,008,664		
TOTAL							\$31,020,314		\$5,429,200
* Of the estimated assistance of \$2,000,000 only \$828,557 will be in the form of loan and \$1,171,443 will be in the form of grant.									
**Priority and ranking points as per prior fiscal years Priority Lists, where project was initially funded.									

Puerto Rico Department of Health
Drinking Water State Revolving Fund Program
Federal Fiscal Year 2010

2010 MULTI YEAR LIST MAY 2011

Name Public Water System	PWS I.D.	Priority Rank	Priority Points	Project Description	Population	Ready date	Estimated Assistance (\$)
Quebradillas Filtration Plant	2682 (a)	1	140	Improvements to Water Filtration Plant	32,148	Jun-12	12,000,000
Negros-Corozal	5537 (a)	2	140	Improvements to Negros WTP	24,016	July-14	2,104,390
Yauco-Río Prieto	4234 (c)	3	125	Improvements to Río Prieto WTP	5,800	Jun-12	19,584,832
Aibonito Urbano WTP	4545 (b)	4	125	Improvements to WTP	46,120	Jun-12	7,230,928
Juana Díaz	3924 (a)	5	120	Improvements to water system at San Carlos Comm., Collores Ward	2,522	Jun-12	3,099,866
Las Marías, Phase IIB	3363 (c)	6	115	Improvements to Las Marías water distribution system	7,871	Jun-12	17,721,269
Quebradillas-Guajataca	3772 (a)	7	95	Improvements to Guajataca WTP	11,679	Sept-15	5,221,410
Caguas Sur	5066 (c)	8	30	Beatriz Ward new water supply system	29,516	Jan-14	33,508,556
Caguas Sur WTP	5066 (d)	9	30	Improvements to Beatriz WTP	29,516	Jan-14	39,821,763
Aguadilla-Río Culebrinas	3293 (a)	10	15	Improvements to Río Culebrinas water intake	67,187	Jan-14	5,700,000
Rincón-Cidra	4695 (a)	11	10	Improvements to water intake pump station at Rincón Ward	37,262	July-14	4,263,252
TOTAL							150,256,266

Green Project Reserve 20% Fund Distribution Order							
Project	PWS ID	Population	Estimated Construction Cost	Green Project % of total project cost	Green Portion	GPR Points Awarded	20% GPR Ranking for Distribution
WTP Rocha Elimination	3433	2,357	\$3,000,000	60%	\$1,800,000	25	1
Hatillo Raw Water Intake	2662 (d)	39,200	\$5,000,000	7%	\$350,000	20	2
WTP La Máquina Elimination	3593	3,207	\$2,000,000	60%	\$1,200,000	15	3
Añasco Water Intake	3283 (b)	88,144	\$4,636,745	7%	\$320,510	10	4
WTP Morovis Sur	2762	14,570	\$4,257,757	7%	\$298,043	10	5
FP Cedro Arriba	5517	9,873	\$2,222,646	7%	\$155,585	10	6
WTP Morovis Urbano	2762	9,714	\$2,000,000	7%	\$140,000	10	7
		TOTAL		31.41% of Cap. Grant	\$4,264,138		
This is the Current Funding Line as established in the Priority List. If the funding line is moved as a result of bids lower than the Estimated Assistance Indicated, this funding line will be moved to finance the projects below, to the extent of the funds available.							
Hatillo-Camuy-Quebr. Phase II	2662 (c)	39,200	\$3,894,502	50%	\$1,947,251	36.5	

MOROVIS SUR WTP
PW SID 2762 (b)

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cost	Loan Term (years)	Finance Rate	Repay Date	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$4,257,757	20	2%	3-15	2+3	2-11	9-11	3-14	6-14

Cash Draw Proportion	FY 2013				FY 2014			Total
	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	
Fed. 83.33%	177,399	354,799	709,598	709,598	709,598	532,198	354,799	\$3,547,989
State 16.67%	35,488	70,977	141,954	141,954	141,954	106,465	70,977	709,768
Total	212,888	425,776	851,551	851,551	851,551	638,664	425,776	\$4,257,757

MOROVIS URBANO WTP
PWS ID 2762 (a)

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$2,000,000	20	2%	12-14	L	2+3	1-11	9-12	12-13	3-14

Cash Draw Proportion	FY 2013				FY 2014	Total
	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	
Repayment	\$300,000	\$400,000	\$600,000	\$400,000	\$300,000	\$2,000,000
Total	\$300,000	\$400,000	\$600,000	\$400,000	\$300,000	\$2,000,000

CEDRO ARRIBA WTP - NARANJITO
PWSID 5517 (a)

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$2,222,646	20	2%	12-14	L	2+3	1-11	9-12	12-13	4-14

Cash Draw Proportion	FY 2013				FY 2014	Total
	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	
Repayment	333,397	444,529	666,794	444,529	333,397	\$2,222,646
Total	333,397	\$444,529	666,794	\$444,529	333,397	\$2,222,646

HATILLO WAY WATER INTAKE
PWSID 2662 (d)

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$5,000,000	20	2%	3-15	L	2+3	1-11	9-12	3-14	4-14

Cash Draw Proportion	FY 2013				FY 2014			Total
	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	
Fed. 83.33%	\$499,980	\$833,300	\$833,300	\$833,300	\$833,300	\$833,300	\$833,300	\$4,166,500
State 16.67%	100,020	166,700	166,700	166,700	166,700	166,700	166,700	833,500
Total	\$250,000	\$500,000	\$1,000,000	\$1,000,000	\$1,000,000	\$750,000	\$500,000	\$5,000,000

LA MAQUINA WTP – SABANA GRANDE
PWSID 3593 (a)

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$2,000,000	20	2%	12-14	L	2+3	2-11	9-12	12-13	3-14

Cash Draw Proportion	FY 2012				FY 2013	Total
	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	
Fed. 83.33%	249,990	333,320	499,980	333,320	249,990	1,666,600
State 16.67%	50,010	66,680	100,020	66,680	50,010	333,400
Total	\$300,000	\$400,000	\$600,000	\$400,000	\$300,000	\$2,000,000

ROCHAS WTP - MOCA
PWSID 3433 (a)

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$3,000,000	20	2%	12-14	L	2+3	1-11	9-12	12-13	1-14

Cash Draw Proportion	FY 2013			FY 2014		Total
	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	
Repayment	\$450,000	\$600,000	\$900,000	\$600,000	\$450,000	\$3,000,000
Total	\$450,000	\$600,000	\$900,000	\$600,000	\$450,000	\$3,000,000

**ANASCO WATER INTAKE
PWSID 3283 (b)**

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$4,636,745	20	2%	3-15	L	2+3	1-11	9-12	3-14	4-14

Cash Draw Proportion	FY 2013				FY 2014			Total
	1 QTR	3 QTR	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	
Fed. 83.33%	175,637	351,275	702,549	702,549	702,549	526,912	351,275	3,512,745
State 16.67%	35,136	70,272	140,544	140,544	140,544	105,408	70,272	702,718
Sub-Total	210,773	421,546	843,093	843,093	843,093	632,319	421,546	4,215,463
Repayment	21,837	42,128	84,256	84,256	84,256	63,192	42,128	421,282
Total	\$231,837	\$463,675	\$927,349	\$927,349	\$927,349	\$695,512	\$463,675	\$4,636,745

HATILLO - CAMUY - QUEBRADILLAS, PHASE II - OVERRUN
PWS ID 2662 (a)

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cost	Loan Term (Years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$3,894,502	20	2%	6/14	L	2+3	3-11	Jan-12	Jun-13	June-14

Cash Draw Proportion	FY 2012				FY 2013			Total
	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	
Fed. 83.33%	162,264	324,529	649,058	649,058	649,058	486,793	324,529	\$3,245,289
State 16.67%	32,461	64,921	129,842	129,842	129,842	97,382	64,921	649,213
Total	194,725	389,450	778,900	778,900	778,900	778,900	389,450	\$3,894,502

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Complete	Initiation of Operation
\$4,008,864	20	2%	3-15	L	2+3	2-10	9-12	3-14	4-14

Cash Draw	Proportion	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	Total
		\$167,021	\$334,042	\$668,084	\$668,084	\$668,084	\$501,063	\$334,042	\$3,340,420
		33,412	66,824	133,649	133,649	133,649	100,237	66,824	668,244
		\$200,433	400,866	801,733	801,733	801,733	601,300	400,866	\$4,008,864
		1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	Total
		FY 2013	FY 2014	FY 2014	FY 2014	FY 2014	FY 2014	FY 2014	Total

FINANCIAL PLANNING PROCESS

Projects can be submitted for listing at any time. A new IUP will be issued at least once a year and may be amended during the period that the IUP is in effect, providing that sufficient funds are available. Projects submitted for financing will be screened for eligibility, ranked, scored and listed. All eligible projects for which pre-application forms have been submitted and reviewed will be included on the Priority List. Projects ready for financing will be listed on the project Readiness List.

Direct loans will be originated throughout the year.

6. TYPES OF ASSISTANCE AND FINANCIAL TERMS

DOH certifies that only the types of assistance authorized under the SDWA as amended, will be awarded from the DWSRF. The terms and conditions of the loans to be awarded are as authorized by the SDWA. Capitalization Grants will be used to provide the following types of financial assistance:

6.1 Direct Loans

Based on an economic and financial analysis conducted on behalf of DOH by Puerto Rico Infrastructure Financing Authority (PRIFA), loan agreements will be executed with PRASA or any other qualified borrower at a negotiated interest rate. Up to date, the loan interest rate has been 2% and the financing term has been 20 years. These may vary as a result of a financial analysis to be undertaken.

6.2 Refinancing

In accordance with Section 1452 (f)(2) of the SDWA, local debt obligations may be purchased or refinanced at or below market rates, where the initial debt was incurred and construction initiated after July 1, 1993.

6.3 Hardship Loans/Affordability Criteria for Disadvantaged Systems

The Commonwealth may determine if hardship loans will be made available to borrowers and the rate at which (below the regular reduced rate) they will be executed. Affordability criteria (refer to section 8) will help to determine the hardship loan rate, which may be as low as zero percent. Therefore, a small disadvantaged community loan may be established in conformity with the requirements and applicable federal regulations. Terms governing principal amortization may be the same as those applicable to direct loans, where the interest rate may be reduced. Any interest payable on hardship loans will be set or determined by the Puerto Rico Infrastructure Financing Authority (PRIFA) and may be between two-thirds of the market rate, as determined by the most recent DWSRF financing, and zero percent (0%). The actual rate may be determined based on the affordability criteria. For certain borrowers that qualify for a zero percent hardship loan, there may be a service charge. This will be determined by the Puerto Rico Infrastructure Financing Authority (PRIFA) and DOH.

6.4 Leveraging

The Government of Puerto Rico may consider leveraging in order to increase the amount of funds available to finance infrastructure projects. If leveraging is undertaken, it will be indicated in the IUP and the applicable grant application and will be structured in accordance with the requirement of the Act and the DWSRF final guidelines.

6.5 Repayments

As of January 31, 2011 a total of \$7,643,928 from loan repayments

including accrued interest is available in the fund for providing assistance in addition to the annual capitalization grant. These monies are available and were assigned to a project, as detailed in the Priority List for fiscal year **2010**.

7. SET-ASIDE ACTIVITIES

Section 1452 of the SDWA authorizes states to use a portion (set-asides) of the federal Capitalization Grant to support various drinking water programs. Section 1452 allows as much as 31% of a State's Federal Capitalization Grant to be used for administrative assistance, technical assistance, public water supply supervision and special activities. The Commonwealth of Puerto Rico proposes to use **\$542,920** or **4.0%** of the **\$13,573,000 FFY 2010** Capitalization Grant for the administrative set-aside purpose. In addition, the **Commonwealth plans to use \$271,460 or 2.0% of the total annual Federal Capitalization Grant for technical assistance**. A table of specific set-aside allocation is provided at the end of this section. Notwithstanding, we reserve the authority to take from future capitalization grant funds not requested at this time. Also, the Commonwealth intends to maximize the use of Capitalization Grant monies for water supply projects as much as possible. Therefore, only those funds considered essential for DWSRF and water supply program support have been allocated to set-aside activities. Unused set-aside funds can be re-budgeted to fund eligible activities under set-asides. Nevertheless, any unused set-aside monies can also be transferred to the project fund after receiving an approved amendment to the Capitalization Grant. It is important to note that DOH will continue undertaking a series of activities and project that were previously funded with monies set apart under the set-asides that have been carried over from previous capitalization grants and which use is based on priorities established in the Technical Assistance Support (TAS) (See **Attachment I**). It

must be pointed out that there are certain activities which are on-going and will be undertaken annually as part of the follow-up to previously funded activities. Other activities, such as pilot projects, have a specific time frame for their completion. DOH will continue the oversight to ongoing contracts and expects to complete during this fiscal year one contract. The intended use of funds and expected accomplishments for each set-aside are described below.

7.1 Administrative Assistance

The SDWA authorizes states to take up to 4% of the total annual Federal Capitalization Grant (as provided in Section 130 of the SDWA amendments of 1996) to support the cost of administering the DWSRF program. The Commonwealth plans to use \$542,920 or 4.0% of the total annual Federal Capitalization Grant for administrative activities.

Administrative tasks are undertaken, mainly on an annual basis, and include, but are not limited to: developing and finalizing a Capitalization Grant application package to secure federal funds; implementing the Operating Agreement between DOH and the United States Environmental Protection Agency (EPA); performing project technical reviews; ranking project proposals in priority order; preparing an IUP which identifies available funding resources and expenditures and establishes a readiness fundable priority list (current year) and multi-year project priority list; implementing a State Environmental Review Process (SERP), as required; reviewing and approving engineering reports, construction plans and specifications; conducting project inspections; evaluating and determining project affordability (hardship); conducting public participation efforts and hearings;

tracking systems; directing the investment of DWSRF funds; preparing project financing and loan agreements (including cost summaries and project financing schedules); preparing necessary financial documents; originating loans; processing disbursement request and conducting associated document review; collecting and managing loan repayments; establishing and collecting loan fees; insuring that program and fiscal audits are conducted; preparing necessary cash draw requests and preparing technical and financial reports to meet federal and state mandates.

7.2 Technical Assistance

Section 1452 (g)(2)(D) of the SDWA authorizes states to take up to 2% of the total annual Capitalization Grant to provide technical assistance to small water systems (those with population of 10,000 or less). This technical assistance may include assistance to potential loan recipients complying with national and state drinking water regulations. **The Commonwealth plans to use \$271,460 or 2.0% of the total annual Federal Capitalization Grant for technical assistance in order to continue enhancing the existing Non-PRASA section and continue the Comprehensive Performance Evaluation program.** It is essential to continue expanding the technical assistance provided and explore new mechanisms and programs to address the needs of small systems. With the collaboration of public and private entities these activities may be undertaken to provide direct assistance to selected or specific communities.

As stated, the TAS established last year by DOH as part of Puerto Rico's Drinking Water Program will provide, in an organized manner, the assistance that drinking water systems need and in concert with other Commonwealth

assistance initiatives. The purpose of the TAS is to use the DWSRF and set-aside limited resources effectively and efficiently. During this year, the TAS will maintain the following priorities:

- Capacity Development Program
- Area-Wide Optimization Program
- Circuit Rider Program

Notwithstanding, during last year the validation of a small system CPE was completed and during this year the programming of the implementation in other systems is expected. In addition, DOH expects to execute a contract and initiate a pilot project for introducing and providing security and emergency response concepts into small systems and expand the Circuit Riders Program. It is the Commonwealth's intention to increase the number of available sources or providers of technical assistance to small systems in order to outreach a greater number of systems, increase the number of systems that are in the process of attaining compliance, improve systems compliance and operation, increase knowledge of the need to comply with the SDWA, improve and maintain the quality of water served, and thus, ultimately, protect the public health.

These priorities have several activities associated which are described in detail in the Work Plan. As stated previously, there are certain activities which are on-going and will be undertaken annually as part of the follow-up to previously funded activities. Other activities have a specific time frame for their completion, while those associated to a contract or a pilot project may range in time to up to two (2) years.

7.3 Small Water Systems (Non-PRASA)

DOH has an existing small water systems program (Non-PRASA). The DOH Non-PRASA program provides technical assistance and guidance to communities by considering project alternatives, determining project priorities, and advising communities on selecting the simplest project, using volunteers and avoiding duplication of services.

The activities to be undertaken include:

- acquiring, training and orienting new program staff;
- holding community meetings to explain the Non-PRASA program and its advantages;
- upgrading the record keeping system to facilitate periodic status reports; and
- assignment of existing staff to provide training and orientation to systems owners or operators.

This very successful Program needs to be expanded to service more systems and to provide uniform coverage within the Commonwealth in their process of attaining compliance. For this reason, other private or Commonwealth agencies may be used to provide technical assistance for aspects of management and coordination of small community drinking water projects, in accordance with the existing Non-PRASA Program.

It is necessary to continue expanding and outreaching the number of communities that are being evaluated and receiving technical assistance for financial and managerial aspects of capacity development, in order to improve the quality of the water served by the Non-PRASA systems and, thus, attain

compliance.

As it has been stated, since FFY 1998, the goal of the technical assistance initiative is to provide assistance to small public water systems to enable such systems to achieve and maintain compliance with applicable national and state drinking water regulations. The Commonwealth has used this set-aside to provide technical assistance, among other things, by performing Comprehensive Performance Evaluations (CPE) and by implementing the Small Systems Strategy, in order to provide the drinking water systems with different assistance mechanism to bring into compliance. This assistance will be directed towards addressing the technical, financial and managerial issues necessary to attain compliance. DOH will continue using it as a tool in the Area Wide Optimization Program and during this year will give oversight to 15 systems that were evaluated under this methodology and will provide follow-up and guidance in the implementation of their compliance action plans in order to re-enforce the maintenance and/or attainment of capacity.

In terms of the CPE's, through a bilateral agreement between DOH and PRASA, these were to be conducted by in-house (state) staff or approved third party experts who have received certification by PRDOH. **During FFY 2010, DOH, as necessary, will continue evaluating the profiles of experts and will certify them for undertaking CPE's, in accordance to the AO/bilateral agreement.**

The primary goal of the CPE is to review and evaluate the capabilities of an existing treatment facility to determine if it is meeting current standards and performance goals. In addition, the CPEs will assess whether the optimization of

facilities will assure compliance with current and future standards and regulations.

Training of field staff responsible for follow-up, making equipment available when needed, and holding at least one workshop per year on troubleshooting techniques will be necessary. Moreover, DOH will expand the outreach to other systems and will continue implementing the use of the small systems CPE methodology validated during last year. Technical assistance in the revision of CPEs will also be undertaken during this year.

7.4 State Program Management

The SDWA authorizes states to take up to 10% of the total annual Capitalization Grant to support State Program Management activities, including implementation of an Operator Certification Program and a Capacity Development Strategy. **DOH reserves the authority to take from future capitalization grants funds not requested at this time from the FY 2010 capitalization grant in the amount of \$1,357,300 or ten per cent (10%).** States are required to match this set-aside on a one-to-one basis above and beyond the 20% match required for all capitalization funds. This amount can be matched with the credit of match and overmatch provided by the Public Water Supply Supervision Program (beyond the required 25% PWSS match).

7.4.1 Operator Certification Program

The Commonwealth of Puerto Rico, through DOH and the Puerto Rico Department of State, State Drinking Water Treatment Plant Operator Certification Board (the Board) established the Operator Certification Program for Drinking Water Systems, in accordance with the SDWA,

which was approved by EPA on September 2002. Puerto Rico has been implementing this Program since its approval. The federal law also authorizes \$30 million nationally, annually, to support reimbursement of expenses for the training of non-salaried operators at water systems with populations of 3,300 or less people. EPA approved the reimbursement grant on September 30, 2003.

DOH expects to promote awareness of upcoming regulations in order to ensure adequate operation, reduce system's non-compliance, and expand the training resources available in an effort to improve pass/fail rates of operators taking licensing tests, thus, fostering systems' compliance by implementing the OCP. Meetings with the Existing Board on Operators Certification will continue. Orientation and training of new technical staff concerning operation certification requirements and compliance with the SDWA will provide continuous support/assistance to systems subject to the training plan.

DOH goals for the Operator Certification Program are: to review the adequacy of existing training programs as to the geographic distribution and quality of the training provided; to address the training needs of the operators who will need to be certified in the next few years; and to implement the reimbursement grant to assist systems operators in their training certification process, in order to attain compliance.

Currently, DOH is administering a contract for the implementation of Phase I of the reimbursement grant and during this year will be implementing Phase II.

By means of the Operator Certification initiative, DOH expects to continue advising the Non-PRASA systems and the transient and untreated community systems of the future need for certified operators and the qualification they shall meet. Approximately 300 Non-PRASA operators will be instructed of upcoming training opportunities. In addition, oversight of the Operator Certification Reimbursement Contract will continue with the evaluation of Progress Reports on activities undertaken for the implementation of the training plan.

7.4.2 Capacity Development Program

Under the Federal Capacity Development Strategy, as outlined in Section 1420 of the SDWA, the State must have the legal authority to assure that all new water systems demonstrate adequate capacity and have a capacity development program in place by October 1, 1999. The Commonwealth of Puerto Rico developed a capacity development assurance plan that was approved by EPA on September 1999 where procedures for undertaking the capacity assessment of new drinking water systems were established. On August 4, 2000, DOH submitted to EPA, the Capacity Development Strategy, which was approved by EPA on September 29, 2000. Up-to-date, DOH has complied with all required reports and documentation related to the Capacity Development.

The goals of the Capacity Development Strategy are to discourage the formation of new, small, non-viable public water systems, and to assist and encourage the consolidation, collaboration and regionalization of existing non-viable systems. **Attachment II** summarizes the Capacity

Development elements considered when assessing Capacity.

In order to continue meeting federal capacity development requirements, the DOH, has established certain strategies and is undertaking activities such as, the evaluation of new public water systems with the capacity development checklist developed by DOH (See Attachment III), and the economic assessment of viability of proposed systems. Also, DOH continues the search and identification of those agencies and institutions that would have an interest in the development and implementation of a capacity development strategy.

Thus, together with these activities, DOH expects to continue enforcing the Legal Authority provided by the existing statutes. Also, community water systems and non-transient, non-community water systems with a history of significant non-compliance will be evaluated during the current year.

Therefore, DOH will provide assistance in order to conduct systems towards compliance with the Capacity Development Program, and increase the number of systems in compliance with the SDWA.

7.5 Special Activities Local Assistance And Other State Program Up to 15% No More Than 10% Activity

Section 1452(k) of the SDWA authorizes states to take up to 15% of the annual Capitalization Grant to assist in the development and implementation of local drinking water protection initiatives by providing assistance in the form of loans for land acquisition and source water petitions projects. No more than 10% of the Capitalization Grant can be allotted to any one of these special

activities. **The Commonwealth is not proposing to take or use any of the allotted set-aside funds from the FFY 2010 DWSRF Capitalization Grant for the following programs.**

7.5.1 Land Acquisition

Funds in the DWSRF can be used to purchase land integral to the construction of facilities, but not for other purposes such as watershed protection. A separate 10% set-aside could be used to establish a separate low-interest loan fund for land acquisition, particularly for watershed protection. The Commonwealth is not proposing to create such a loan fund at this time. There may be other existing programs that may be used to purchase sensitive watershed lands.

7.5.2 Capacity Strategy

The Commonwealth has used a portion of the allotted State Program Management set-aside to develop a Commonwealth Capacity Development Strategy. DOH, based on information available from other Commonwealth agencies, developed the necessary strategies of capacity development in the Commonwealth, including, without limitation, legislative, regulatory and program changes to prevent the creation of non-viable public water supplies and address existing non-viable public water supplies in the Commonwealth. A pilot project for developing capacity and for the elimination of limiting factors was completed. It is DOH's intention to re-budget remaining funds under the Wellhead Protection set-aside in order to use them under Section 1420(c) of the SDWA to establish a Capacity Development Strategy set-aside to provide

technical and financial assistance support to these systems in order to avoid a back slash in their compliance process.

7.5.3 *Source Water Petitions*

As part of the State's Source Water Assessment and Delineation Program, the Commonwealth will assess variety of options for improving source water protection throughout the Commonwealth. The source water petition program outline in the SDWA is one such option. It would be premature to develop a loan program to fund source water petition partnerships before this assessment is completed and released to the public.

The following table summarizes the set-aside established.

SET-ASIDES STATE REVOLVING FUND				
	SDWA	FY 2010 MAXIMUM ALLOCATION	COMMONWEALTH Puerto Rico	FY 2010 *
Set-Asides				
Administration	4%	\$542,920	4%	\$542,920
DOH & PRIFA				
Technical Assistance	2%	271,460	2%	271,460
Management Programs ** (Requires Dollar to Dollar Match)	10%	1,357,300	0%	0
Capacity Development				
Operator Certification				
Special Activity Set-Asides (No banking allowed. No more than 10% for any individual component under this set-aside)	15%	2,035,950	0%	0
Land Acquisition	(10%)	(1,357,300)	(0%)	0
Capacity Strategy	(10%)	(1,357,300)	(0%)	0
SW Petition Programs	(10%)	(1,357,300)	(0%)	0
Total Set Asides	31%	4,207,630	6%	\$814,380

* Based on an actual appropriation of \$13,573,000.

** DOH reserves the right to take from future capitalization grants \$1,357,300 (or 10% from FY 2010 Capitalization Grant) to be used for activities under this set-aside.

8.0 DISADVANTAGED COMMUNITY PROGRAM

8.1 Definition of Disadvantaged Community

As defined by 1452(d)(3) of the SDWA, a disadvantaged community is one in which the service area of a public water system meets affordability criteria established after public review and comment by the State in which the public water system is located. In the Commonwealth, drinking water projects will be reviewed to determine funding eligibility and scored based on an established priority ranking system. Communities whose water projects are ranked high enough will be evaluated for hardship based upon a comparison of projected and programmed service charges (total debt service plus operation and maintenance costs) for a typical household expressed as percentage of Median Family Income (MFI) for the service area. The DWSRF may provide additional financial assistance to water systems serving communities experiencing economic hardship. Additional financial assistance will be accomplished by first reducing the interest rate as necessary to lower the projected service charge to the Proposed Service Charge (PSC). Other financial mechanisms such as principal subsidy or 30 year loan terms may be available to provide increased financial benefits. Although up to 30% of the Capitalization Grant can be used for loan subsidies, the Commonwealth does not propose to use this mechanism at this time, in order to preserve as much DWSRF capitalization as possible to meet the strong demand for financial assistance throughout the Commonwealth.

Projects, which qualify for financial hardship assistance, will be provided with written confirmation letters and in future IUP periods placed on the Multi-Year priority list as Hardship Loans. Written hardship confirmation will be limited

to projects that have a total numerical score greater than (or equal to) the project with the lowest score (excluding bonus points) eligible to be funded from the current multi year list. Hardship projects with this score or higher will be selected from the Multi-Year List. Written qualification for financial hardship assistance will remain valid for two consecutive annual federal funding cycles. If a project has not been selected for funding during this period, it will be removed from the fundable portion or readiness list identified as Hardship (and re-listed on the Multi-Year List) unless is re-qualified as a Hardship Loan project.

Confirmation that a project qualifies for hardship assistance will help facilitate funding coordination with other agencies such as Rural Development, and Housing and Urban Development (HUD). Coordination of joint funding of projects will be done on a project by project-basis.

8.2 Affordability (Hardship/Disadvantage System) Criteria

The purpose of the affordability criteria is to determine which public water systems are eligible for financial assistance beyond the ordinary benefits available through the DWSRF. The additional benefits will assist economically disadvantaged water systems in the construction of eligible drinking water projects.

8.2.1 Affordability Criteria

This Criterion is design to assist systems most is needed on a household basis. The points awarded for this Category are documented by the latest census information. For those systems, identified as disadvantaged, priority points will be awarded based on the Media Family Income Levels (MFIL) (See **Attachment IV**).

8.2.2 *Hardship Financial Assistance Criteria*

The determination will be made as follows:

- Maximum population to be served will be 10,000. Projects may not be segmented in order to qualify for hardship assistance.
- Refinancing is eligible through the regular subsidized DWSRF program if qualified or eligible as required and stated in the DWSRF. However, hardship financial assistance is only available for new drinking water projects for which the notice for construction to proceed was given on or after July 1, 1993.
- The applicant for a DWSRF hardship loan must demonstrate that it can repay its debt obligation, has a satisfactory O&M procedure and can comply with DOH/DWSRF Capacity Development Program.
- Projects that are determined eligible for hardship assistance will receive a written confirmation of eligibility.
- Confirmation of funding availability will be valid for two consecutive annual federal funding cycles provided that the projected service charge does not change significantly.
- Confirmation of funding availability may be withdrawn if: the applicant fails to demonstrate satisfactory progress towards project implementation; the information on which the determination was made changes prior to loan closing; or

the applicant fails to demonstrate that it can repay the loan.

8.2.3 *Projects Likely to Receive Additional Assistance Payments (Hardship List)*

Systems with projects eligible for funding in this IUP will be required to submit the financial information listed above, as well as any additional information requested by DOH. Hardship determinations will be made as project information becomes available.

9. PROJECT PRIORITY LIST

9.1 Project Selection Process

Federal law requires the Commonwealth to develop a Project Priority Ranking System. The priority ranking system establishes a list of eligible projects to be funded in a manner consistent with the SDWA such that compliance is given the highest priority. The DOH proposed that Priority will be given to water systems in non-compliance with the surface water treatment requirements, and those incurring acute, primary or action level violations as defined in the SDWA. Addressing these problems will protect the public health of the water users and will bring water systems into compliance with the SDWA.

The next priority has been given to systems that address the most serious risks to public health therefore the highest priority will be given to acute public health risks, particularly those related to microbiological organism. Situations that pose chronic and longer-term risks to consumers, such as organic chemical contamination, are also considered.

The scoring criteria, also considers issues related to infrastructure upgrading or replacement. The project ranking system also considers, as

mandated by the SDWA, special allocations and restrictions on the use of DWSRF monies for disadvantaged and small systems. A detailed-description of the Project Priority Ranking Systems is included as **Attachment V** to this IUP. A checklist as to the information to be provided by the proponent is included as **Attachment VI**.

9.2 Description and Use of Project List

Projects must be included in the IUP to receive DWSRF financing. This IUP includes the following prioritized lists of eligible projects being considered for financing from the DWSRF.

- The Project Readiness List or Fundable List includes projects which have completed construction or will submit plans and specifications for review and approval, and are expected to be ready for long-term financing during the effective period of this IUP. DOH will review the projected readiness date and the project proposal for all eligible projects and put together the fundable and planning portions of the list.
- The Project Multi-Year List will also include the project readiness list which includes all those projects expected to qualify for long term loans within the current IUP financing period. Based on the projected amount of funds available for the current IUP period, provisions are made in the Project Priority Ranking System to bypass project which may not progress as expected. The Multi-Year List includes projects that may be ready during the current IUP period and, in the case where additional funds are available or

a project on the fundable or readiness portion is not ready to proceed, these projects may substitute the ones not ready upon a formal request of the proponent. Both Lists may include, projects for small systems serving less than 10,000 people.

9.3 Hardship List

This IUP does not include a Hardship List, as hardship determinations will not be completed until after submittal of additional project information to evaluate qualifications for hardship status.

9.4 State Environmental Review Process/Determination of Equivalency Projects

To be consistent with federal guidelines, the State Environmental Review Process (SERP) applies to all projects receiving financial assistance from the DWSRF. The SERP incorporates environmental review requirements of the National Environmental Policy Act (NEPA) and its implementing regulations, and the Puerto Rico Environmental Quality Board Act (Act No. 416 of September 22, 2004, known as the Environmental Public Policy Act derogated Law No. 9 of June 18, 1970, as amended). The DWSRF loan applicant must comply with the SERP in order to receive DWSRF financing.

In accordance with the SERP, all DWSRF financed projects are classified as either Tier I or Tier II projects. Tier I projects, also referred to as "equivalency" projects, refer to those DWSRF projects that are financed by loans whose cumulative total is an amount equal to the federal Capitalization Grant to the State. Tier II projects, ("non equivalency" projects), refer to all other projects that receive DWSRF financial assistance.

Tier I projects must undergo an environmental review consistent with the National Environmental Policy Act (NEPA). For the DWSRF program, Tier I projects will include:

- projects for which an environmental review consistent with NEPA has already been completed; and
- projects that meet the definition of a NEPA categorical exclusion.

If necessary, additional Tier I Projects will include:

- projects for which applicants have voluntarily undertaken to complete a NEPA equivalent environmental review;
- projects that have a particular environmental significance, due to the nature and scope of the projects; and
- projects for which the environmental review can be considered functionally equivalent to NEPA environmental review, with some minor additional elements.

Tier II projects refer to the environmental review requirements of EQB with additional requirements that may be imposed by the SERP for the DWSRF program. Applicants will be notified by DOH and EQB whether their project (s) proposed for financing through the DWSRF program fall under the category Tier I ("equivalency") of Tier II.

10. ATTACHMENTS

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Ing. Lynnette Ramírez Directora Auxiliar Infraestructura Autoridad de Acueductos y Alcantarillados (AAA)	<p>Previo al proceso de Vista Pública y para la preparación del Plan de Intención de Uso de Fondos y de la Lista de Prioridad para el Financiamiento de Proyectos para el Tratamiento de Agua Potable correspondiente al Año Fiscal 2010, se utilizó la información suministrada por la AAA mediante reuniones, llamadas telefónicas, comunicaciones escritas vía correo electrónico y postal/aéreo. Entre las reuniones y/o comunicaciones tomadas en consideración para la preparación de esta Lista están las siguientes:</p> <p>4 de febrero de 2011 – Durante reunión realizada en este Departamento con personal de la AAA, el Ing. Javier O. Torres, Director de la División de Agua Potable y la Sra. Eva Hernández, Coordinadora del Fondo Rotatorio Estatal para Agua Potable discutieron con la Ing. Lynnette Ramírez, los posibles proyectos a incluirse en la Lista de Prioridad "Project Readiness" 2010. Entre los discutidos figuran proyectos nuevos, proyectos incluidos en el "Consent Decree" y proyectos con donativos previos que requieran fondos adicionales para completar su construcción.</p>	<p>Como parte de la solicitud anual de fondos a la Agencia Federal de Protección Ambiental (EPA) para capitalizar el Fondo Rotatorio Estatal para Agua Potable (DWSRF) se coordina con la AAA y la EPA la preparación del Plan de Intención de Uso de Fondos (IUP) bajo el Programa de DWSRF y se obtiene la información relacionada con los proyectos que serán incluidos en el IUP. A base de la información obtenida previo al proceso de vista pública se preparan los borradores de los documentos que son sometidos a vista pública.</p> <p>El DS procedió a preparar el borrador de las Listas de Prioridad tomando en consideración los insumos de la AAA.</p>
Ing. Alberto Lázaro Director Ejecutivo Infraestructura Autoridad de Acueductos y Alcantarillados (AAA)	<p>18 de febrero de 2011: – Carta de la AAA al Ing. Javier O. Torres, Director de la División de Agua Potable, donde la AAA solicita la inclusión de siete (7) proyectos en el "Project Readiness List 2010". Esta carta fue adelantada vía correo electrónico. A continuación los proyectos para dicha Lista:</p>	<p>Mediante llamada telefónica se le indicó a la AAA que era necesario información adicional para determinar la elegibilidad y el cálculo de prioridad de los proyectos sometidos para participar de los fondos del 2010.</p>

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NOMBRE	COMENTARIOS	RESPUESTA DEPARTAMENTO DE SALUD
	<ol style="list-style-type: none"> 1. Río Añasco "water intake" – Añasco; 2. Hatillo "water intake" – Hatillo; 3. Eliminación de La Máquina WTP – Sabana Grande; 4. Morovis Urbano WTP – Morovis; 5. Cedro Arriba-Naranjito; 6. Eliminación de Rochas WTP – Moca 7. Camuy/Hatillo/Quebradillas - Fase II – Hatillo <p>Dicha carta incluyó, además, las tablas de los itinerarios de desembolso de fondos ("Disbursement Schedules") sugeridas para los proyectos.</p> <p>En cuanto a la Lista de Prioridad "Multi Year 2010", la AAA solicita se mantengan en la misma los siguientes proyectos:</p> <ol style="list-style-type: none"> 1. Aibonito Urbano WTP – Aibonito 2. Quebradillas – Guajataca WTP 3. Caguas Sur WTP 4. Río Culebrinas – Aguadilla 5. Rincón – Cidra 6. Negros – Corozal 7. Quebradillas Planta Filtración – Quebradillas 8. San Carlos Com. – Juana Díaz 9. Caguas Sur Beatriz Ward 10. Las Marías WDS 11. Yauco-Rio Prieto WTP 	<p>Se procedió a calcular las prioridades de los proyectos cuya información fue suministrada por la AAA. El 20 de abril de 2011, mediante llamada telefónica se le dio seguimiento a la AAA sobre la información necesaria para completar el cálculo de las prioridades de ambas listas de prioridad.</p>

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<p>Ing. José J. Rivera Infraestructura Autoridad de Acueductos y Alcantarillados (AAA)</p> <p>Ing. Lynnette Ramírez Directora Auxiliar de Infraestructura Autoridad de Acueductos y Alcantarillados (AAA)</p>	<p>Posteriormente, mediante llamadas en conferencia y reuniones con la AAA, ésta solicitó la inclusión del proyecto de Lajas-San Germán-línea de transmisión en la Lista "Project Readiness 2010.</p> <p>11 de marzo de 2011 – La AAA sometió mediante correo electrónico información solicitada sobre los proyectos incluidos en los borradores de las Listas "Project Readiness" y Multi-Year" 2010.</p> <p>25 de abril de 2011 – Mediante llamada telefónica, la Ing. Lynnette Ramírez discutió con la Sra. Eva Hernández los proyectos incluidos en las Listas de Prioridades ("Project Readiness" / "Multi-Year") y solicitó se le aclarara por qué los proyectos de (Camuy /Hatillo /Quebradillas - Fase II y Lajas-San Germán Línea de transmisión) se presentaban en la Lista separados por una línea de "Current Funding Line".</p>	<p>Se determinó incluir el proyecto de Lajas-San Germán-línea de transmisión y la eliminación de los proyectos de Morovis Sur del "Multi -Year List" dado que el mismo estaba contemplado ya. En el Project Readiness List". Se le solicitó a la AAA que nos confirmara estos acuerdos mediante carta. La misma, fechada 9 de mayo de 2011, fue adelantada por a través de correo electrónico.</p> <p>Se recibieron los "fact sheets" con información adicional para los proyectos de Rocha, Cedro Arriba, La Máquina, Morovis Sur, Morovis Urbano, Añasco "Intake", y Quebradillas. Personal de este Departamento revisó nuevamente las tablas de itinerarios de desembolsos sometidas por la AAA y determinó realizar cambios a las mismas.</p> <p>Se le indicó a la ingeniera Ramírez que esos proyectos estaban para financiarse en caso de que hubiera fondos sobrantes como resultado de las subastas a realizarse para los siete proyectos. Se le indicó que la intención de este Departamento es darle oportunidad a proyectos nuevos. Con el fin de usar la totalidad de los fondos disponibles en caso de que se recibiesen estimados de subastas más bajas es que entonces serían financiados dado que estos proyectos tenían préstamos anteriores.</p>

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<p>Sra. Roxana Santaella, Directora Auxiliar de Planificación, AAA</p>	<p>PROCESO DE VISTA PUBLICA</p> <p>El período de participación pública comenzó el 29 de abril de 2011 hasta el 29 de mayo de 2011. Los documentos fueron sometidos a todas las agencias pertinentes y al público en general invitándolos a participar en la Vista Pública y someter comentarios a los mismos.</p> <p>La Sra. Eva Hernández, Coordinadora del Programa Fondo Rotatorio Estatal para Agua Potable y oficial técnico asignado a la Vista, indicó que los proyectos incluidos en la lista "Multi-Year" no tenían la prioridad calculada en el momento de hacer disponible los documentos al público, ya que la AAA no había suministrado la información necesaria para determinar los puntos de prioridad de estos proyectos. A tal efecto, la señora Hernández indicó que para la Vista Pública se había podido calcular la prioridad, así leyó la misma para todos los proyectos y el rango que los mismos habían obtenido.</p> <p>6 de mayo de 2011 – Se llevó a cabo la Vista Pública, con la participación de la Autoridad de Acueductos y Alcantarillados, la cual estuvo representada por los siguientes oficiales: Sra. Roxana Santaella, Directora Auxiliar de Asuntos Administrativos y Financiamiento, en representación del Ing. Alberto Lázaro, el Ing. Mauricio Olaya, Director Auxiliar del Departamento</p>	

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<p>Ing. Alberto Lázaro Director Ejecutivo Infraestructura Autoridad de Acueductos y Alcantarillados (AAA)</p> <p>Arq. Carlos Rivera GC&A</p>	<p>de Planificación, y el Ing. José Javier Rivera, del Departamento de Infraestructura.</p> <p>El primer deponente de la AAA en la Vista Pública fue la Sra. Roxana Santaella, quien, en representación del Ing. Alberto Lázaro reiteró la posición de la AAA en cuanto a los proyectos de construcción de infraestructura de agua potable para los cuales dicha agencia solicitara, mediante cartas, reuniones y llamadas telefónicas, los fondos del año fiscal 2010 asignados al DWSRF.</p> <p>La AAA se reiteró en su solicitud previa sobre los proyectos incluidos en la Lista de Prioridad "Project Readiness List 2010" y "Multi Year 2010". La AAA leyó los proyectos incluidos en la Lista y a tal efecto indicó que enviaría por escrito la ratificación de su solicitud.</p> <p>9 de mayo de 2011 – A través de carta dirigida al Ing. Javier O. Torres, Director de la División de Agua Potable del Departamento de Salud, la cual fue adelantada por correo electrónico, la AAA ratifica la posición presentada en la Vista Pública.</p> <p>19 de mayo de 2011 – El Arq. Carlos Rivera, de GC&A, envió a través de correo electrónico su solicitud de información sobre los documentos que fueron objeto del proceso de Vista Pública realizada el 6 de mayo de 2011.</p>	<p>A través de correo electrónico fechado 24 de mayo de 2011 se le envió al Arq. Carlos Rivera copia del "2010 Intended Use Plan", y la Lista de Prioridad "Project Readiness" de los proyectos seleccionados para utilizar los fondos federales del año fiscal 2009-10.</p>

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	<p>No se recibieron comentarios de parte del público en general durante la Vista Pública ni dentro del período de participación pública. Las agencias directamente relacionadas con el uso de los fondos federales: Agencia de Protección Ambiental, Banco Gubernamental de Fomento y la Autoridad para el Financiamiento de la Infraestructura de Puerto Rico y el Banco Gubernamental de Fomento, no emitieron comentarios.</p>	<p>Luego de analizar los planteamientos presentados durante la Vista Pública y basado en la reunión y comunicaciones escritas y llamadas telefónicas con la Sra. Roxana Santaella, Directora Auxiliar de Asuntos Administrativos y Financiamiento, AAA, recibidas durante el período de participación pública, se prepararon los documentos finales del Plan de Intención de Uso de Fondos y la Lista de Prioridad 2010, donde se tomaron en consideración los comentarios anteriormente mencionados. Por tanto, el DS determinó aceptar la solicitud de la AAA, expresada, por lo cual:</p> <p>A. Incluyó los siguientes nueve proyectos inicialmente sometidos para la Lista "Project Readiness List 2010", con las prioridades y rangos determinadas, como sigue:</p> <table data-bbox="1279 959 2018 1377"> <thead> <tr> <th>Proyecto</th><th>Rango</th><th>Prioridad</th></tr> </thead> <tbody> <tr> <td>Morovis Sur WTP</td><td>1</td><td>135</td></tr> <tr> <td>Morovis Urbano WTP</td><td>2</td><td>120</td></tr> <tr> <td>Cedro Arriba WTP-Naranjito</td><td>3</td><td>115</td></tr> <tr> <td>Añasco "Water Intake"</td><td>4</td><td>60.080</td></tr> <tr> <td>Hatillo "Raw Water Intake"</td><td>5</td><td>60.039</td></tr> <tr> <td>Rochas WTP – Moca</td><td>6</td><td>60.023</td></tr> <tr> <td>La Máquina WTP - Sabana Grande</td><td>7</td><td>60.003</td></tr> <tr> <td>Hatillo-Camuy, II-"Overrun" *</td><td>1</td><td>175</td></tr> <tr> <td>Lajas-San Germán-"Overr" *</td><td>4</td><td>75</td></tr> </tbody> </table> <p>* Prioridad calculada para años anteriores.</p>	Proyecto	Rango	Prioridad	Morovis Sur WTP	1	135	Morovis Urbano WTP	2	120	Cedro Arriba WTP-Naranjito	3	115	Añasco "Water Intake"	4	60.080	Hatillo "Raw Water Intake"	5	60.039	Rochas WTP – Moca	6	60.023	La Máquina WTP - Sabana Grande	7	60.003	Hatillo-Camuy, II-"Overrun" *	1	175	Lajas-San Germán-"Overr" *	4	75
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		<p>B. Identificó en la lista "Project Readiness" los proyectos que iban a ser subvencionados e indicó la posibilidad de subvencionar dos proyectos: Camuy/Hatillo/Quebradillas - Fase II y Lajas-San Germán Línea de transmisión, (sobregiros) separando los mismos en la eventualidad de que surjan fondos sobrantes como resultado de las subastas de los primeros siete proyectos identificados.</p> <p>C. Incluyó en el "Multi Year List 2010" ocho (8) proyectos, a saber:</p> <p style="text-align: center;">Quebradillas PF – Quebradillas Negros – Corozal Aibonito Urbano WTP – Aibonito San Carlos - Collores Ward-Juana Díaz Quebradillas - Guajataca Caguas Sur WTP Río Culebrinas - Aguadilla Rincón -Cidra</p> <p>D. Mantuvo en el "Multi Year List 2010" los siguientes proyectos:</p> <p style="text-align: center;">Yauco - Río Prieto Nueva Planta de Filtración Las Marías – Sist. Dist - 75 Km (S Sebas) II B Caguas Sur - Beatriz Ward</p>